



Commissioner
for **Environmental**
Sustainability
Victoria



Annual Report 2021-22



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TRADITIONAL OWNERS

The Commissioner for Environmental Sustainability proudly acknowledges Victoria's Aboriginal community and their rich culture and pays respect to their Elders past and present.

We acknowledge Aboriginal people as Australia's first peoples and as the Traditional Owners and custodians of the land and water on which we rely. We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life and how this enriches us.

We embrace the spirit of reconciliation, working towards the equality of outcomes and ensuring an equal voice.

REPORT OF OPERATIONS

Abbreviations

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
CES	Commissioner for Environmental Sustainability, Victoria
CES Act	<i>Commissioner for Environmental Sustainability Act 2003</i>
CMA	Catchment Management Authority
CRG	Commissioner's Reference Group
DELWP	Victorian Department of Environment, Land, Water and Planning
EMS	Environmental Management Systems
EO	Executive Officer
EPA	Environment Protection Authority Victoria
FMA	<i>Financial Management Act 1994</i>
FOI	Freedom of Information
FRD	Financial Reporting Directive
FTE	Full-Time Equivalent
IBAC	Independent Broad-based Anticorruption Commission (Victoria)
ICT	Information and Communications Technology
MaC Act	<i>Marine and Coastal Act 2018</i>
MER	Major Event Review
MILL	Municipal and Industrial Landfill Levy (Victoria)
MSA	Melbourne Strategic Assessment
MSA Act	<i>Melbourne Strategic Assessment (Environment Protection Mitigation Levy) Act 2020</i>
OH&S	Occupational Health and Safety
PA Act	<i>Public Administration Act 2004</i>
PID Act	<i>Public Interest Disclosures Act 2012</i>
RFA	Regional Forest Agreement
SDGs	Sustainable Development Goals
SEEA	System for Environmental-Economic Accounts
SLA	Service Level Agreement
SMCE	State of the Marine and Coastal Environment
SoE	State of the Environment
STAG	Stakeholder Technical Advisory Group
TAG	Technical Advisory Group
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAGO	Victorian Auditor-General's Office
VCMC	Victorian Catchment Management Council
VMaCC	Victorian Marine and Coastal Council
VPSC	Victorian Public Service Commission

Responsible Body Declaration

I am pleased to present the Annual Report for the Commissioner for Environmental Sustainability year ending 30 June 2022.

Gillian Sparkes

Dr Gillian Sparkes AM

Commissioner for Environmental Sustainability

DATE: 11 October 2022



Year in review

As I reflect on the year, once again I am grateful to my team for their commitment, dedication and focus and to our dedicated collaborators and stakeholders, who give their time so generously in support of our work.

My team have achieved a lot in the face of the continuing challenges presented by the COVID-19 pandemic. It has once again, been a year requiring remarkable resilience and adaptability, with the team working remotely and collaboratively across the government, academic and non-government sectors, to deliver our commitments under the *Commissioner for Environmental Sustainability Act, 2003* (the Act) and ultimately, help advance the ecologically sustainable development of Victoria.

This year we successfully delivered two major science reports, an interpretive website for one of those reports, participated as a panel member for the Major Event Review into the Impact of the 2019-20 Bushfires on the Victorian Regional Forest Agreements, commenced the inaugural Strategic Audit of the Implementation of the Melbourne Strategic Assessment Conservation Outcomes Report by the Commissioner and from January 2022, began work on the five yearly, Victorian State of the Environment 2023 report. It was a busy year!

I am as always, deeply grateful to the members of our advisory groups including the Commissioner's Reference Group (CRG), for their time, advice and wise counsel that is so important to enhance the efficacy and impact of our reporting program. This year, I would like to thank Sharyon Peart and Dr Kaye Rodden as they step off the CRG after many years of service. We were delighted to welcome new CRG members: Kathryn Arndt, Chief Executive Officer, Victorian Local Governance Association (VLGA), Paul Foreman, Deputy Chair (Partnerships), Landcare Victoria Inc. and Jane Lovell, the incoming Chief Executive Officer, Victorian Farmers Federation (VFF).

Key deliverables for the 2021-22 year, detailed in this annual report and fulfilling my responsibilities under the Act, include:

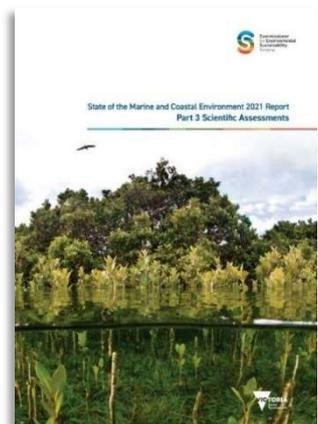
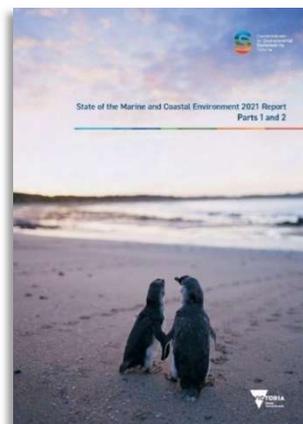
- The *State of the Marine and Coastal Environment 2021 Report*
- Interpretive website - *State of the Marine and Coastal Environment 2021 Report*
- The *State of the Environment Biodiversity Update 2021 Report*
- Panel member and author: Major Event Review into of the Victorian Regional Forest Agreements
- Biennial Strategic Audit of the implementation of environmental management systems in Victorian Government
- Commencement of the inaugural Biennial Strategic Audit of the Melbourne Strategic Assessment Conservation Outcomes Report
- Commencement of the *State of Environment 2023 Report*

State of the Marine and Coastal Environment 2021 Report

The *State of the Bays 2016 Report* was the first of what was to be a five-yearly State of the Bays report to monitor the health of Victorian coasts, bays, and waterways, with particular focus on the regions of Port Phillip Bay and Western Port. The *Marine and Coastal Act 2018* (MaC Act) subsequently established an integrated and coordinated whole-of-government approach to protect and manage Victoria's marine and coastal environment. The MaC Act section 37(4) requires the Commissioner to prepare a State of the Marine and Coastal Environment (SMCE) Report.

This report replaces the previous five-yearly State of the Bays reporting commitment, and must include:

- (a) the condition of the marine and coastal environment
- (b) the environmental, social, and economic benefits of the marine and coastal environment, and
- (c) the threats to the marine and coastal environment.



The inaugural SMCE report under the Marine and Coastal Act was released in December 2021. The *Victorian State of the Marine and Coastal Environment 2021 Report* is an intermediary between the *State of the Bays 2016 Report*, which covered two regions and what will be the first, complete SMCE report covering all Victorian marine and coastal regions, due in 2024 (per the statutory reporting timeline prescribed by the MaC Act). The SMCE 2021 Report covers an expanded scope of regions compared to the State of the Bays 2016 Report.

The SMCE 2021 Report covers five regions and six marine biounits – Port Phillip Bay, Western Port, Gippsland Lakes, Corner Inlet and Nooramunga, and Victoria’s system of Marine National Parks and Sanctuaries – an expanded scope compared with the State of the Bays 2016 Report. It shines a light on the health of our marine and coastal environments to inform management and investment in marine and coastal science. The report reinforces the need for a catchment to reefs approach to our policy and program interventions to protect and improve Victoria’s marine and coastal environments. It also introduces socio-economic indicators into the Commissioner’s marine and coastal reporting.

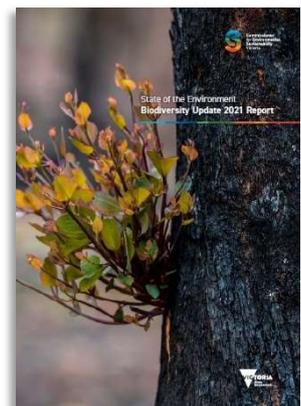
Stakeholder consultation and engagement formed a significant part of the SMCE 2021 Report work program in an effort to ensure that the report captured the vast knowledge and perspectives of marine and coastal practitioners, experts and enthusiasts from across Victoria. In addition, our work identifying a subset of relevant indicators for the work of local practitioners, in the SMCE 2021 Report, eight indicators from the full suite of 82, used a co-design approach with over 70 stakeholders from around Victoria.

The SMCE 2021 Report was accompanied by an interpretive website that included stories and case studies aligned to the report themes and findings. The interpretive site aimed to enhance community accessibility to the report’s depth of science and findings, appeal to a broader audience and support Victorians to better understand and value nature. We are grateful to the many coastal managers from a range of organisations across regions: Catchment Management Authorities (CMAs), local government, Department of Environment Land Water and Planning (DELWP), Parks Victoria, and non-government organisations who kindly co-authored the SMCE case studies for the interpretive site.

State of the Environment Biodiversity 2021 Update

In December 2021, the *State of the Environment Biodiversity 2021 Update* report was also released. This report was undertaken to update the biodiversity indicators reported in the SoE 2018 given the impact and severity of the 2019-20 Victorian bushfires so soon after the SoE 2018 report was released. This work complemented DELWP’s analysis immediately after the fires and provides an independent update of the science to inform the *Protecting Victoria’s Environment – Biodiversity 2037* evaluation scheduled in 2022.

The report assesses 43 indicators and presents key findings including fire, climate change, invasive plants and animals, threatened species and communities, wetlands and rivers, forests and Victoria’s biodiversity targets. Scientific assessments for the 43 indicators relied on the sourcing of publicly available scientific data including reports, academic journals, submissions to Parliamentary and other government inquiries, citizen science projects and interviews with experts in relevant fields.



The Major Event Review of Regional Forest Agreements

The opportunity for a Major Event Review is a feature of the modernised Regional Forest Agreements (RFAs) and enables the Victorian and Commonwealth Government to jointly undertake a review to assess impacts of ‘major events’ such as bushfires and floods, in relation to the objectives and operations of the RFA and identify remedial actions.

Consistent with these requirements and in my capacity as Commissioner, I was appointed by the Victorian Minister for Environment and Climate Action as a member of the Independent Panel for the Major Event Review (MER) into the impact of the 2019-20 bushfires on the Victorian Regional Forest Agreements. The MER was announced in December 2020 by the Victorian and Commonwealth Governments, the panel formally commenced its work in March 2021 and the report was delivered in April 2022.

The MER included an extensive public consultation program – across the diverse groups impacted by the fires including Traditional Owners (registered and non-registered parties)

The panel provided its report which included 37 recommendations, to the Lead RFA Ministers, the former Commonwealth Assistant Minister for Forestry and Fisheries, Senator the Hon Jonathon Duniam and the Hon. Lily D'Ambrosio MP, Minister for Environment and Climate Action, Victoria. A government response will be provided in accordance with the terms of the MER Scoping Agreement.

Cultural Landscape Health and Management

Traditional Owner perspectives and knowledge informing the Major Event Review

I was privileged to participate in the Traditional Owner consultation program, which formed a significant component of the independent Panel's work for the Major Event Review (MER) into the impact of the 2019-20 bushfires on the Regional Forest Agreements, throughout the year. Six of the 37 recommendations are specific to Traditional Owners.

Cultural landscapes vital to the SoE 2023 reporting cycle

The cover of the *Science for Sustainable Development* framework features an aerial photograph of the extraordinary Budj Bim United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage site, in the Gunditjmarra Country of south-western Victoria. Budj Bim is the first Australian Indigenous site to be added exclusively for its cultural significance. The cover photo is symbolic of the priority with which work across the Victorian Government, within DELWP and through my team, is being undertaken to better understand and report on Cultural Landscape Health and Management (CLHM).

Recommendation 1 in the Victorian SoE 2018 Report is to “develop contemporary cultural indicators to inform future environmental reporting. These indicators must reflect the priorities of Traditional Owners, have practical and cost-effective data-collection methods, be meaningful, and demonstrate change within a five-year reporting period”. DELWP is working to bring effect to the government's response to this recommendation – their work will inform CLHM reporting in the SoE 2023 report.

The importance of storytelling

Storytelling has been central to Aboriginal and Torres Strait Islander cultures for many thousands of years. Knowing this, my team commenced work this year to better understand how the SoE 2023 report can incorporate storytelling techniques to explore Traditional Owner and Original Custodian relationships with country.

An example of our work this year is included on the interpretive website for the SMCE 2021 Report. The '*Gunaikurnai Joint Management program protecting coastal lagoons and wetlands on-Country*' case study highlights the story of the importance of embedding cultural practices in management. This important program received an award at the Victorian Marine and Coastal Awards 2020 hosted by the Victorian Marine and Coastal Council (VMaCC) and continues to provide both environmental and community impact.

Communication and engagement activities

Our approach to communications and engagement is informed by the *Science for Sustainable Development* framework and is aligned with the Commissioner's functions under the CES Act. The communications and engagement activities we undertake are designed to engage Victorians in environmental science, to enrich our report findings and ultimately, enable practical action to facilitate ecologically sustainable development. We aim to build our science communication platform year on year, to engage and communicate with our diverse audiences to enable our report findings to be accessible, useful and used.

We have an extensive, targeted engagement program with technical stakeholders through our codesign approach. As we have continued to undertake engagement online through the pandemic we have strengthened and broadened our activities by leaning into the changing behaviours to online engagement. Allowing us to expand our network of stakeholders from across Victoria, Australia and indeed the world.

I am committed to transparency and participation in our science reporting program and providing the community with access to multiple reporting products to make environmental science accessible to all Victorians. Our communication and engagement activities for our major reports provide different products for different audiences, including tailored products for Victorians with diverse information needs.

As an example, my team adapted the SMCE2021 report findings and interpretive website into an online, information series for 'bite sized' consumption across our social media platforms. The series commenced on June 5, 2022, on World Environment Day for a nine-week period. It involved two social media posts and one web article each week, linked to the posts. An evaluation of this information series will be completed next financial year to inform communications for future major reports including communication of the SoE 2023 report findings.

International Day of Women and Girls in Science

International Day of Women and Girls in Science is celebrated on February 11 every year around the world. Since the first International Day of Women and Girls in Science in 2015, the Commissioner for Environmental Sustainability, Victoria's Chief Environmental Scientist and Victoria's Lead Scientist have collaborated to celebrate this important day along with The Royal Society of Victoria, Inspiring Victoria and In2Science as collaborators in 2021. This year my team worked with a range of stakeholders to source inspiring stories on Victorian women in STEMM. These stories explore the opportunities and challenges for girls and women in careers in STEMM and were selected for their positive impacts to improve water in Victoria and beyond, and thus to our environment and the health and wellbeing of communities.

Thanks to our partners this year: Dr Amanda Caples, Victoria's Lead Scientist (Department of Jobs, Precincts and Regions), Dr Mark Patrick Taylor, Victoria's Chief Environmental Scientist (EPA Victoria) and The Royal Society of Victoria. Thank you also to contributors from Emergency Management Victoria and the Department of Health for helping to bring these stories to life that profile scientists from a range of organisations including, Phillip Island Nature Parks, EPA Victoria, RMIT University, Monash University, Emergency Management Victoria and Grampians Wimmera Mallee Water.

Continuing to work with our stakeholders

Co-design and working with a broad range of stakeholders on our reports is a core priority. Authentic engagement, co-design, and participatory principles are embedded in the process of developing our reports. These are fundamental to delivering accurate, meaningful, and scientifically rigorous reports, so that our work is both useful and being used.

This year the SMCE 2021 Report and Biodiversity Update 2021 Report were a key focus of my engagement with the Commissioner's Reference Group. Members have generously shared their expertise providing invaluable advice to enhance our work. In addition to the CRG, we continue our commitment to structured, formal and informal forums to gain input and insight from across the Victorian government including through our Technical Advisory and NGO Stakeholder Technical Advisory Groups. My office also holds regular, smaller group meetings, in addition to frequent one-on-one meetings with key stakeholders and leaders from across the Victorian environment sector.

Strategic Audit of the Implementation of Melbourne Strategic Assessment Conservation Outcomes

The *Melbourne Strategic Assessment (Environment Protection Mitigation Levy) Act 2020* (MSA Act) came into effect on 1 July 2020. It is the legal framework to support the Victorian Government's Melbourne Strategic Assessment (MSA) program, which manages the impact of urban development in Melbourne's growth corridors on Matters of National Environmental Significance – including state and federally listed vegetation communities, plants, and animals.

The MSA agreement with the Commonwealth Government includes a range of program commitments relating to conservation outcomes and mitigation measures. Provisions under the MSA Act delegate responsibility for reporting on the state's progress in implementing the MSA Program's conservation commitments to the CES. The function is stipulated under the MSA Act and the Commissioner for Environmental Sustainability Act 2003 as: (b) conduct, once every 2 years, strategic audits of, and prepare reports on, the implementation of— (ii) the MSA conservation outcomes by the Secretary to the Department of Environment, Land, Water and Planning. This report is due to be submitted to the Minister by 31 October 2022.

A science writer was engaged and commenced on this report in May 2021.

Strategic Audit of the Implementation of Environmental Management Systems in Victorian Government

In accordance with section 18(2) of the CES Act, we assessed the progress of Victorian Government agencies and public authorities in meeting their objectives and targets for the implementation of Environmental Management Systems (EMS). The Strategic Audit of the Implementation of EMS by Government Agencies 2020-21 Report was tabled on 23 March 2022.

This report analyses the Victorian Government's environmental performance, using the Financial Reporting Directive (FRD 24) indicators as the framework. Following on from the last two strategic audits, this report also takes the proactive and practical step of including an 'Opportunities' section that highlights potential enhancements to improve the utility of FRD 24. Since the commencement of my term as Commissioner, I have consistently advocated for amendments to the Financial Reporting Directive (FRD) to enhance the value of the EMS report.

A section of this report considers the role of the United Nations Sustainable Development Goals (SDGs) in improving our understanding of the balance between environmental, economic and social outcomes.

Concluding remarks

The continued commitment, resilience and collaborative efforts of Victorians in responding to the challenges faced by natural disaster and the coronavirus pandemic during 2021-22 is remarkable. These events brought into sharp focus the importance of taking a dynamic and systems-based approach to addressing complex problems, consistent with the Science for Sustainable Development framework embedded in our work. I am heartened that our work has continued to garner significant local, national, and international interest.

I extend my gratitude to my staff and colleagues, collaborators, and communities whose contribution to our work has been vital. Thanks also to the Secretary, Deputy Secretaries, and many staff from our line agency DELWP and independent members of our Risk and Audit Committee for support with the delivery of our work program.

Since 2014, it has been a privilege to serve as Victoria's Commissioner for Environmental Sustainability, and an honour to meet and work with so many talented people. Thank you to everyone involved and interested in our work. As a small team, we rely on the generous advice and input of our stakeholders – including scientists, authors, communicators, reviewers, community members, NGO stakeholders and administrators to readers, listeners, and users of our work. I am confident that through evidence and collaboration we are enhancing the knowledge, understanding and progress of the ecological sustainable development of Victoria and improving the health of our environment.

I am pleased to present the 2021-22 Annual Report.



Dr Gillian Sparkes AM
Commissioner for Environmental Sustainability Victoria

Performance report: Overview

Manner of establishment, objectives, and functions of the Commissioner for Environmental Sustainability (FRD 22)

The Commissioner for Environmental Sustainability (CES) was established by the Victorian Government in November 2003 under the [Commissioner for Environmental Sustainability Act 2003](#) (CES Act).

Established by the Victorian Government in November 2003 under the CES Act, CES provides an independent voice that audits and reports on environmental sustainability, and the state of Victoria's environment.

The responsible Minister for the period from 1 July 2021 to 27 June 2022 was the Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change and for the period 27 June 2022 to 30 June 2022 was the Hon Lily D'Ambrosio MP, Minister for Energy and Minister for Environment and Climate Action.

Purpose

The legislative objectives of the CES per section 7 of the CES Act are to:

- report on matters relating to the condition of the natural environment of Victoria
- encourage decision-making that facilitates ecologically sustainable development
- enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment
- encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.

The major functions of the CES per section 8 of the CES Act are to:

- prepare a report on the state of the environment of Victoria
- conduct, once every two years, strategic audits of, and prepare reports on, the implementation of environmental management systems by agencies and public authorities
- every two years, conduct a strategic audit and prepare a report on the implementation of the MSA conservation outcomes to DELWP
- audit public education programs relating to ecologically sustainable development and advise the Minister as to the effectiveness of the programs in encouraging the community to adopt ecologically sustainable development principles and practices
- advise the Minister in relation to any matter relating to ecologically sustainable development or the implementation of the MSA conservation outcomes
- prepare and make a State of the marine and Coastal Environment Report under the *Marine and Coastal Act 2018*
- make a report on the progress of a Biodiversity Strategy per section 18D of the *Flora and Fauna Guarantee Act 1988*.
- preparation of a report on the environmental condition of the Great Ocean Road coast and parks under the list of the major functions of the CES per section 8 of the CES Act.

In addition to these statutory reporting functions, the CES may also publish statements and guidelines.

Access the CES Act online via www.ces.vic.gov.au or at www.legislation.vic.gov.au.

Vision

Independent reporting on Victoria's natural environment to enable practical action.

Mission statement

The CES reports on the State of Victoria's environment to help government, business and the community take practical action.

Values

The CES upholds the values of the Victorian Public Service and demonstrates responsiveness, respect, integrity, human rights, leadership, impartiality, and accountability in all aspects of the work.

Funding

Since 2016-17, the Commissioner for Environmental Sustainability (CES) has been funded from the Municipal Land Fill Levy (MILL) Trust, a hypothecated trust account which DELWP administers. On top of this base funding, DELWP may provide additional grants to the CES for commissioned work.

Following consultation with DELWP, the CES 2021-22 Business Plan Update and projected budget was approved by the Minister for Energy, Environment and Climate Change, Hon Lily D'Ambrosio MP, on 31 December 2021 in accordance with section 15 of the CES Act.

Annual reporting requirements from the CES Act

In describing the annual reporting requirements of the CES, section 16 of the CES Act notes:

“The Commissioner must include:

a brief summary of all activities completed, commenced or conducted; and
a statement of the financial and other resources used in preparing reports under Part 3 – during the financial year in the relevant annual report of operations under Part 7 of the *Financial Management Act 1994*.”

Key projects and achievements for the year (FRD 22)

This year, the CES has sought to progress the objectives of section 7 of the CES Act through implementation of the *Science for Sustainable Development* framework for the SoE 2023 Report that was tabled in the Victorian Parliament on 16 June 2020.

The *Science for Sustainable Development* framework provides a comprehensive description of the path the CES will take to deliver the SoE 2023 Report and is the guiding framework for all other ‘state of’ reports to be prepared by the CES during the 2019-24 cycle. Importantly, *Science for Sustainable Development* promotes the use of internationally developed and recognised monitoring and reporting inputs including the United Nations’ Sustainable Development Goals (SDGs) and System of Environmental-Economic Accounting (SEEA).

Key initiatives and achievements for the CES in 2021-22 include:

- Release of the State of the Marine and Coastal Environment (SMCE) 2021 Report.
- The launch of a new interpretive website including a complimentary suite of case studies associated with the SMCE 2021 Report’s release.
- A formal meeting was held for the SMCE 2021 Report development with our Technical Advisory Group.
- Release of the State of the Environment Biodiversity Update 2021 Report.

- Formative work on the development of Cultural Landscape Health and Management indicators for CES Reports.
- Work associated with the Major Event Review into the Impact of the 2019-20 Bushfires on the Victorian Regional Forest Agreements.
- Formative work on the development of the State of Environment 2023 Report.
- Tabling, every two years, the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies.
- Formative work to plan and develop the biannual audit and report on the Melbourne Strategic Assessment program's conservation outcomes.
- Meetings with the Great Ocean Road and Parks Authority and CES staff.
- On World Environment Day 2021 an information series commenced for the SMCE 2021 Report to highlight the key themes and findings.

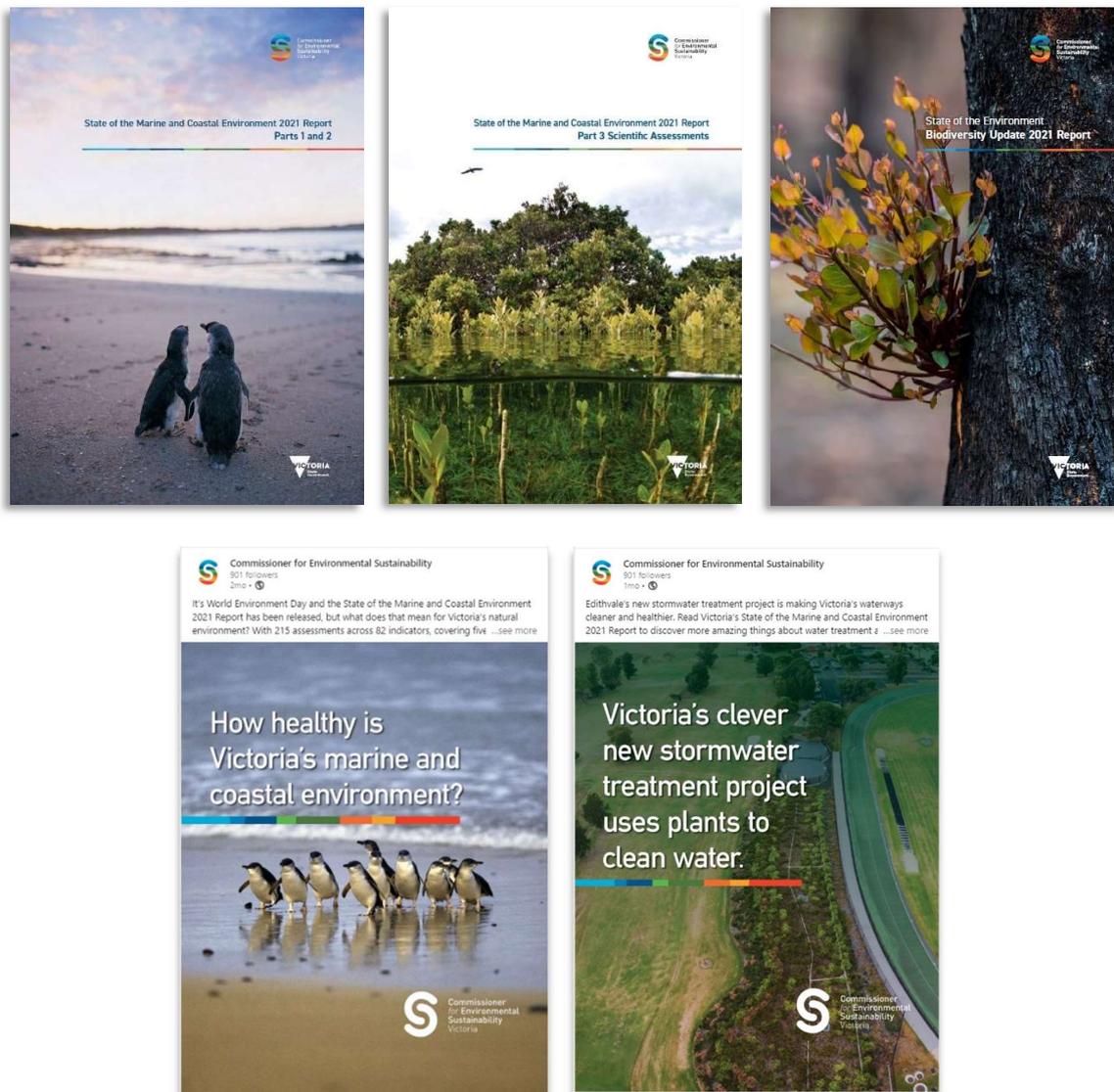


Image captions: (top right) Cover images from the State of the Marine and Coastal Environment 2021 Report part one and two, (top left) cover image of the SoE Biodiversity Update 2021 Report and (below) social media tiles from the social media information campaign.

The Commissioner and the CES team presented and/or participated in the following key events:

- National Science Week hosted by Melbourne Museum – 13 August 2021
- Multiple consultation sessions as part of the Major Event Review of the Regional Forest Agreement – throughout August and September 2021

- Environmental, Social and Governance for Sustainability research conference hosted by the Victoria University Business School and Institute for Sustainable Industries and Liveable Cities – 29 October 2021
- Environment Institute of Australia and New Zealand (EIANZ) Victorian Division Annual Conference – 9 November 2021
- Vic Catchments forum meeting with CES staff – 24 February 2022
- Australian Institute of Company Directors Conference – 2 March 2022
- CSL Forum 'Enabling Innovation in Government' – 3 March 2022
- Circular Economy Indicators meeting with DELWP and Sustainability Victoria – 8 March 2022
- Inspiring Victoria Board Meeting – 9 March 2022
- RMIT Space Hub Launch – 22 March 2022
- The 'Art of Working in Government' Panel Discussion, 2022 LEAD Program – 24 March 2022
- Monash Sustainable Development Institute (MSDI) Advisory Council – 28 April 2022
- RMIT Panel for the Lancet Global Health Series on urban design, transport, and health led by Professor Billie Giles-Corti – 11 May 2022
- ResourceSmart Schools Awards event attendance – 2 June 2022

Performance reporting: non-financial (FRD 22)

The non-financial performance report is structured around the key activities of the CES and the statutory requirements of CES under the CES Act.

The approved five-year Business Plan 2019-24 and 2021-22 Business Plan Update outline the key deliverables for the CES for 2021-22 which have been achieved and include:

- The State of the Marine and Coastal Environment 2021 Report
- The State of the Marine and Coastal Environment 2021 Report interpretive website
- The State of the Environment Biodiversity Update 2021 Report
- Major Event Review of Victoria's Regional Forest Agreements (RFAs) assessing the impacts of the 2019-20 bushfires
- Formative work on the development of the State of Environment 2023 Report
- Tabling, every two years, the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies
- Commenced the inaugural report by the Commissioner of the Biennial Strategic Audit on the Melbourne Strategic Assessment Program's Conservation Outcomes
- Advancing ecologically sustainable development principles and practices by:
 - developing socio-economic indicators, aligned with the UN SDGs, for use in the SoE 2023 Report
 - using data and spatial information in a more sophisticated way – towards digital reporting
 - considering and collaborating with DELWP on the use of the UN SEEA in reporting, and the development of a strategy to incorporate SEEA accounts into the SoE 2023 Report
 - consulting with DELWP on SoE climate change adaptation indicators to ensure they align with Victoria's Climate Change Strategy and adaptation action plans.
 - tracking CES recommendations to Government.

Output summary (FRD 8)

As required under section 16 of the CES Act, this section sets out a summary of all activities completed, commenced, or conducted during 2020-21. It reports on CES delivery against the initiatives set out in the CES Act, in the Business Plan Update and budget, approved as required under section 15 of the CES Act by the responsible portfolio Minister on 29 March 2021.

CES objectives, indicators and linked outputs are tabulated below, showing the outputs against the statutory requirements and the Business Plan.

CES objectives, indicators and linked outputs for 2021-22

Table 1: Objectives, indicators and linked outputs for 2021-22

Objectives	Indicators	Outputs
Report on matters relating to the condition of the natural environment of Victoria.	Demonstrate progress toward the SoE 2023 reporting consistent with the Framework and the project plan.	The SoE 2023 report framework ' <i>Science for Sustainable Development</i> ' was tabled in Parliament on 16 June 2020. The SMCE 2021 Report and SoE 2018 Biodiversity Update Report have been developed according to this Framework.
Encourage decision-making that facilitates ecologically sustainable development.	Demonstrate SoE 2023 reporting is consistent with the Framework and the project plan.	SoE 2023 will assess the environmental condition of the SoE 2018 baseline indicators – in terms of status, trend and data quality. SoE 2023 and other reports in the cycle will measure environmental condition and Victoria's progress against relevant SDG targets.
	Report on environmental watering outcomes as per Water Plan action item 3.6.	Preparatory work completed towards reporting on environmental watering outcomes in future SoE reports.

<p>Enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment.</p>	<p>Provide opportunity for increased engagement leading to knowledge and understanding in the general community.</p>	<p>Application of a formative method for utilisation of the UN SDGs in SoE reporting is presented in the SMCE 2021 Report.</p> <p>Maintained an active social media presence especially during the SMCE 2021 Report Information series over nine weeks. Maintained an active CES website www.ces.vic.gov.au.</p> <p>Participation in organising committee for the second <i>Victoria Nature Festival</i> delivered virtually across Victoria, as well as promotional activities. The festival aims to help Victorians stay connected with nature, whether at home or in the outdoors.</p> <p>Delivered the <i>International Day for Women and Girls in Science 2021</i> case studies suite to inspire young women to pursue careers in science, technology, engineering and mathematics.</p>
<p>Encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.</p>	<p>Coordination, development and tabling of the Strategic Audit Report on the EMS of mandated Victorian Government agencies.</p> <p>Stakeholder engagement.</p>	<p>Provided the Minister with the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies that includes advocating a reform of FRD 24.</p> <p>Implementation of the <i>Science for Sustainable Development</i> framework in the development of the SMCE 2021 Report and SoE Biodiversity Update 2021 Report.</p> <p>Continued to work closely with state government at all levels to inform CES reporting and to better frame future CES recommendations.</p> <p>Continued with formalised engagement processes. These included meetings of the CRG which consists of representatives of non-governmental environmental stakeholders and meetings of the TAG and newly formed STAG which consist of experts in environmental fields both in and outside of government.</p>

Reporting progress towards achieving objectives in the report of operations (FRD 22)

Table 2: Progress against objectives

<i>CES objectives</i>	<i>Outputs</i>	<i>Progress</i>
1. Report on matters relating to the condition of the natural environment of Victoria.	The SoE 2023 report framework <i>'Science for Sustainable Development'</i> was tabled in Parliament on 16 June 2020.	The SMCE 2021 Report and SoE Biodiversity Update 2021 Report have been developed according to this Framework. Preliminary work on the SoE2023 has commenced under the Framework.
2. Encourage decision-making that facilitates ecologically sustainable development.	Collaborated with DELWP and advocated for wide adoption of the use of the SEEA in reporting.	In collaboration with CES, DELWP committed to developing a set of representative accounts for inclusion in future SoE reports.
	Developed a strategy to show how to incorporate SEEA into SoE reporting.	Continued formative work around expanded application of SEEA in SoE 2023.
	Commenced preparatory work on reporting on environmental watering outcomes in future SoE reports.	Continuing formative work around development of a framework for evaluation and reporting.
3. Enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment.	Application of the SDGs enabling better, holistic conversations with the community as CES tracks progress on ecologically sustainable development.	Ongoing. Further developed a method for utilisation of the UN SDGs as a guiding framework presented in the SMCE 2021 Report and in the development of SoE reporting. Including: <ul style="list-style-type: none"> • Localisation of SDG targets • Assessment of selected SDG targets • Understanding Interlinkages between targets
	Participate in forums and visits, workshops and seminars with government and non-governmental organisations (NGOs), speeches and presentations at environment and leadership seminars.	Ongoing.
	Maintain an active social media presence and CES website www.ces.vic.gov.au .	The total number of website users over the 2021-22 period was 12,892. The total number of website page views was 58,112.

<p>4. Encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.</p>	<p>Provide the Minister with the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies that includes advocating a reform of FRD 24.</p>	<p>Complete. The 2019-20 EMS Report was tabled in Parliament on 23 March 2022.</p>
	<p>Continue to work closely with state government at all levels to inform CES reporting and to better frame future CES recommendations.</p>	<p>Ongoing.</p>
	<p>Continue with formalised engagement processes. These include meetings of the CRG which consists of representatives of non-governmental environmental stakeholders and meetings with TAGs which consist of experts in environmental fields both in and outside of government.</p>	<p>Ongoing</p>

Performance report: Financial (FRD 22)

Budget portfolio outcomes (FRD 8)

The CES is funded via grants paid out of the MILL Trust administered by DELWP. In addition there were two programs of work in 2021-2022 that are not funded by the MILL Trust, that were funded through other revenue streams:

1. Melbourne Strategic Assessment which was funded directly from the MSA Trust \$382,491.
2. Regional Forestry Agreement Major Event Review which was partially funded by DELWP Forest, Fire and Regions division (\$60,000 agreed funding).

The CES operating budget is administered by DELWP's Environment and Climate Change division, and approval of the budget and Business Plan is in accordance with section 15(3)(b) of the CES Act and is approved each year by the Minister.

The July 2021 to June 2022 the total CES budget was \$2.389m. In addition, the trust fund carried forward \$39,580 from the previous year.

Table 3: Budget July 2021 to June 2022

Budgeted Expenditure	2021-22 Budget (\$)	2021-22 Actual (\$)
Employee expenses	1,770,000	1,720,759
All other expenses	619,491	366,381
Total	2,389,491	2,087,140

As described in the Service Level Agreement (SLA) between DELWP and CES, DELWP continued to provide business systems, information technology access and services, human resources, and financial services support. Budget figures for employee expenses are provided by DELWP based on number and classification of staff.

Table 4: Departmental five-year financial summary (FRD 22)

	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Total income from transactions	2,389,491	1,947,000	1,447,000	1,507,000	1,637,000	1,450,000
Total expenses from transactions	2,087,140	1,942,940	1,473,724	1,890,074	1,418,719	1,211,760
Non-financial assets	70,031	62,760	31,406	40,990	27,348	37,737
Financial assets	1,128,611	796,205	575,543	556,080	925,236	632,698
Total assets	1,198,642	858,965	606,949	597,070	952,584	670,435
Payables	17,764	3,444	33,147	34,069	21,692	19,497
Provisions	529,679	554,763	343,949	287,908	288,729	217,257
Borrowings	70,235	62,886	31,557	41,057	23,139	29,181
Total liabilities	617,678	621,093	408,653	363,034	333,560	265,935

The increase in Financial Assets relates predominately to the increase in cash held in trust.

The continued level of total liabilities in 2021-22 predominantly relates to an increase in the annual leave provision with staff taking less leave throughout the year during COVID-19 conditions.

Departmental current year financial review

The current statutory reporting program for the CES up to 2024 is summarised below:¹

- Five-yearly SoE Report – due to be tabled in 2023.
- Report on the outcomes of environmental watering (Action 3.6, Water Plan) – due as part of the SoE 2023 Report.
- Report against Biodiversity 2037 targets – due as part of SoE 2023 Report.
- Five-yearly SMCE Report (builds on State of the Bays 2016 Report) – was due and delivered in 2021 (partial report), due to be tabled 2024 (full report).
- Five-yearly State of the Yarra and its Parklands Report – due to be tabled 2023.
- Five-yearly State of the Forests Report – due 2023.
- Five-yearly State of the Great Ocean Road Coast and Parks Report – due date to be confirmed.
- Melbourne Strategic Assessment Report – due 2022.
- Strategic audit of the implementation of Environmental Management Systems by Agencies and public authorities – due to the Minister by 31 January every second year.

Financial position – balance sheet (FRD 22)

In 2021-22, the net worth of CES increased from a surplus of \$39,580 in 2020-21 to a surplus of \$ 343,092. The financial surplus was a result of revenue recognised by CES being greater than the expenses in the period with activity being reprioritised to the 2022-2023 year as part of the development of State of the Environment 2023 Report.

Cash flows

While the cash balance at 30 June 2022 was \$250,898, CES has committed funding of \$2.389 million.

Note: CES had not received the fourth quarterly payment from DELWP as of 30 June 2022.

Subsequent events (FRD 22)

There were no subsequent events to report.

¹ Due to the impact of the 2019-20 bushfires the CES prepared an update to the SoE 2018 Biodiversity chapter ahead of, and in addition to, the SoE 2023.

Organisational structure and corporate governance arrangements (FRD 22)

Dr Gillian Sparkes AM was the Commissioner for the full period.

Dr Sparkes holds a PhD in Applied Science (Chemistry), a Master of Business Administration, and is a Fellow of the Australian Institute of Company Directors and a National and Victorian Fellow of the Institute of Public Administration Australia.

Within the Victorian public sector, Dr Sparkes AM has held senior roles including:

- Chair of the Board of Sustainability Victoria
- Deputy Secretary Corporate and Business Services for the Department of Sustainability and Environment, and
- Non-executive Director of South Gippsland Water.

Dr Sparkes has extensive operational and commercial experience through leadership roles in the private and public sectors dealing with environmental, industrial, water, waste, energy, emergency management and community issues.

Dr Sparkes was named one of the IPAA Top 50 Public Sector Women in 2020.

Dr Sparkes was appointed to the Steering Committee of the Sustainable Communities and Waste Hub funded under the Commonwealth Government's National Environment Science Program in June 2021. The Sustainable Communities and Waste Hub is a consortium comprising of six world-class research institutions led by the University of New South Wales.

On 13 June 2021, Dr Sparkes was awarded a Member (AM) in the General Division of the Queen's Birthday 2021 Honours "for significant services to environmental sustainability, and to public administration". As Commissioner, Dr Sparkes AM is leading reforms to enhance the state's environmental monitoring, assessment and reporting, and establish the United Nations SDGs and SEEA as part of the reporting frameworks for Victoria.

**The Commissioner's Advisory Bodies (FRD 22)**

The Commissioner's Reference Group (CRG) is CES' primary advisory body formed under the CES Act (section 9(2)). The CRG provides advice and support to the CES and is comprised of leaders from key stakeholder and advocacy groups, including not for profit and public sector organisations and approved by the Minister. The CRG meets approximately once every quarter throughout the year.

Table 5: CES Advisory Body Meetings

CES Advisory Body	Number of meetings in the 2021-22 FY
Commissioner's Reference Group	3

Commissioner’s Reference Group membership and biographies

CRG Members as of 30 June 2022

Ms Victoria Marles, Chief Executive Officer of Trust for Nature

Ms Victoria Marles leads Trust for Nature (Victorian Conservation Trust), a key statutory environment organisation focused on private land conservation and the development of eco-markets. This role utilises her extensive experience as a lawyer and senior executive in the media, communications, and consumer protection sectors. She joined Trust for Nature in 2009 after recognising the organisation’s work protecting biodiversity in the state of Victoria.

In addition to her responsibilities at Trust for Nature, Ms Marles is also on the steering committee of the International Land Conservation Network and the Australian Business Biodiversity Initiative.

As Victoria’s first Legal Services Commissioner, Ms Marles supervised the establishment of the current Victorian legal regulatory framework. As Deputy Telecommunications Industry Ombudsman, Legal Services Commissioner, and a tribunal member in the jurisdiction of guardianship and administration, Ms Marles has developed extensive dispute resolution experience.



Dr Anthony Boxshall, Chair of the Victorian Marine and Coastal Council

Dr Anthony Boxshall is a marine ecologist who has worked in Australia and the USA across Government, academia, and the private industry. He is the Founder and Principal of *Science into Action*, a science impact company turning great science into greater actions. A former National President of the Australian Marine Sciences Association (AMSA – the largest learned society for professional marine scientists in Australia), he has worked at UC Santa Cruz USA, Deakin University, and has been on several innovation boards.

A Melbourne Enterprise Fellow in the School of Biosciences at The University of Melbourne, he was until late 2017 the Director, Applied Sciences at the Environment Protection Authority (EPA) Victoria.

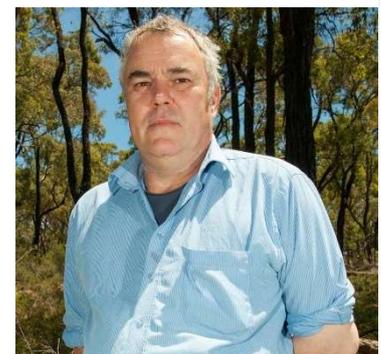


Mr Matthew Ruchel, Executive Director of Victorian National Parks Association

Mr Matthew Ruchel has been the Executive Director of Victorian National Parks Association (VNPA) since 2007 and has a strong background in environmental policy.

Mr Ruchel has worked in the non-government environmental policy areas at state, national and international level for more than 30 years, including roles with the Australian Conservation Foundation, Hume City Council and Greenpeace.

Mr Ruchel has held senior positions in leading international and national conservation organisations and in local government. He brings strategic planning skills to his role at VNPA combined with his experience in coordinating staff and campaigns, as well as liaising with government and industry at all levels, and a range of interest groups.



Ms Jane Lovell, Chief Executive Officer of Victorian Farmers Federation

Ms Jane Lovell grew up in country Victoria in Maryborough after originally moving from England at an early age.

Ms Lovell has always had a link to the country and agriculture, and has a significant background in agriculture chemicals, horticulture, sustainable grazing, commodity exports, federal politics agriculture portfolio, and most recently the seafood industry as Chief Executive officer at Seafood Industry Australia.

Ms Lovell began as the Chief Executive Officer of Victorian Farmers Federation in February 2021.



Ms Amelia Young, National Campaign Manager for Wilderness Society Australia

Ms Amelia Young is a social and environmental justice campaigner with high levels of experience in campaigns to protect Victoria's native forests from logging and wood chipping. Ms Young has also worked to restore environmental flows to Victoria's stressed rivers, including the Murray River.

Ms Young has experience in strategic campaign planning, development and implementation, as well as policy analysis and research. She is proficient in writing and delivering presentations to a vast range of audiences, including major donors, political figures, and community.

Ms Young is interested in and committed to developing winning campaigns that deliver better outcomes for people and places. She developed the Great Forest National Park, Emerald Link and Ethical Paper campaigns.



Ms Claire Dunn, Policy Manager, Environment and Regulatory Services at Municipal Association of Victoria

Ms Claire Dunn is a Policy Manager at the Municipal Association of Victoria (MAV), the peak body for Victoria's 79 local councils. In this role, Claire leads advocacy on a range of regulatory and environmental policy matters, including waste management and resource recovery, environmental protection, and climate change. Claire has a proven track record of achieving desired outcomes, including regulatory and legislative change, through negotiation and advocacy.

Ms Dunn has developed strong policy expertise from a variety of roles in federal government, both in Australia and internationally, as well as industry experience.

Ms Dunn holds a Bachelor of Arts and Masters of Public Policy and Management from the University of Melbourne and completed the Cranlana Centre for Ethical Leadership Executive Colloquium.



Mr Jonathan La Nauze, Chief Executive Officer for Environment Victoria

Mr Jonathan La Nauze was appointed as Chief Executive Officer in January 2019. He has over 18 years of experience in the environment movement and is a respected leader with a track record of securing big wins for our environment and building a stronger movement. Jonathan is also an Executive Director of the Climate Action Network Australia.

Mr La Nauze grew up in the foothills of the Great Dividing Range near Albury in regional New South Wales. He studied a Bachelor of Arts at University of Melbourne, and has a Graduate Certificate of Business, Philanthropy and Non-profit Studies at the Queensland Institute of Technology.

Mr La Nauze spent 11 years at Friends of the Earth where he led the River Red Gum Campaign and negotiated alliances between environment groups and Traditional Owners. He also led highly successful campaigns for the Australian Conservation Foundation for five years as Healthy Ecosystems Program Manager including the creation of the historic Murray-Darling Basin Plan.



Dr Angie Bone, Deputy Chief Health Officer (Environment)

Dr Angie Bone is the Deputy Chief Health Officer (Environment) at the Department of Health and Human Services. The Deputy Chief Health Officer (Environment) provides expert clinical and scientific advice and leadership on environmental public health issues. She supports the Chief Health Officer and staff within the Health Protection Branch.

Dr Bone has extensive experience and clinical expertise in public health. She is a medical doctor with experience in health protection related to environmental hazards and infectious diseases in the UK and several other countries.

Dr Bone has a keen interest in the social and environmental determinants of health, particularly climate change extreme weather events, housing and urban planning, and infectious diseases.



Mr Chris Chesterfield, Independent Water Sector Expert

Mr Chris Chesterfield is nationally recognised for his leadership in waterway and urban water management, and for his contribution to establishing Melbourne as a world leader in water sensitive urban design.

Mr Chesterfield's previous roles include General Manager of the Waterways Group at Melbourne Water, where he was instrumental in building and leading the Waterways Group business, providing waterway management and developer services to a region of five million people.

Mr Chesterfield has chaired several Ministerial advisory committees related to urban and water planning that have led to significant planning and legislative reforms and was recently appointed by the Minister for Water to chair the Birrarung Council, which brings together Traditional Owners and community to act as the 'voice' for the Yarra River.

Mr Chesterfield continues to contribute to the management of Victoria's water resources as a Commissioner and Chairperson of the Victorian Environmental Water Holder, an independent statutory body responsible for holding and managing the State's environmental water entitlements.



Dr Rohan Henry, Independent Indigenous Engagement Advisor

Dr Rohan Henry currently works as Manager, Land and Waters at Bunurong Land Council Aboriginal Corporation. Over the past 20 years, Dr Henry has worked in water and environmental impact assessment areas; working in both government and consulting. For the past five years, Dr Henry has worked within a Traditional Owner Corporation focusing on government engagement on water and broader Traditional Owner policy and project areas.

Dr Henry is involved as an advisory member for several organisations, including Council Member for the Victorian Catchment Management Council, member of the Rock Lobster Fishery Resource Assessment Group, member of the Point Nepean National Park Management Advisory Committee, and past Consultative Committee member of the Central Regional Sustainable Water Strategy Review and the Water for Victoria, Water for Country – Project Control Group.

**Ms Kathryn Arndt**, Chief Executive Officer, Victorian Local Governance Association

With over twenty years of diverse leadership experience including as a CEO, senior executive, and a non-executive director across a number of sectors, Ms Kathryn Arndt has an understanding of high standards of governance, accountability and performance whilst managing strategic risks and delivering outcomes within budget constraints.

Ms Arndt is the CEO of the Victorian Local Governance Association (VLGA). The VLGA is a high profile independent (NGO) governance organisation supporting councils and councillors in effective local governance. As a peak body, the VLGA supports the local government sector through leadership, advocacy, and professional development.

Ms Arndt currently sits on the boards of Diabetes Victoria and is Company Secretary of the Royal Melbourne Tennis Club. Ms Arndt was a Member of the inaugural Victorian Ministerial Council on Women's Equality which concluded its term in mid-2020. In her capacity as CEO of the VLGA, Ms Arndt is a member of the Local Government Victorian Project Control Board overseeing the implementation of the Local Government Act 2020, the state government's COVID-19 Local Government Roundtable, the COVID Response CEO Stakeholder Group, and Minister for Local Government and the Minister for Women Women's Roundtable for Local Government.

Ms Arndt has a track record in leading teams and delivering success working at a senior and high-profile level in the Victorian local government sector; with a demonstrable ability to quickly grasp the issues facing a sector with multiple stakeholders and the legislated responsibility to provide oversight and governance to, and the delivery of, critical services on behalf of state and federal government to Victorian communities.



Mr Peter Hilbig, Chair of Vic Catchments

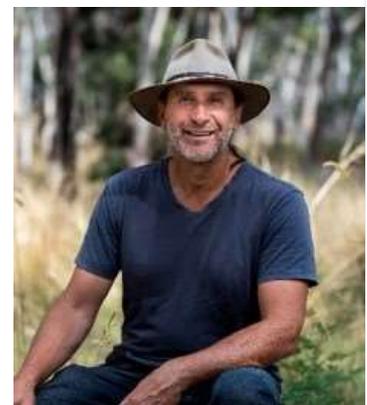
Peter Hilbig was appointed Chair of Wimmera CMA in October 2017. He has lived at Halls Gap for most of the past thirty years employed locally as a teacher, education consultant then principal at Stawell Secondary College. He has also been a teacher at the Australian International School Malaysia and director of Shepherdson College in Arnhem Land, Northern Territory. He is currently a part-time Teaching and Leadership Adviser with Teach For Australia, coaching early career teachers in south western Victoria. Peter's particular interest in the Wimmera and passion for sustainable catchment management was developed through six years as manager of Project Platypus – UpperWimmera Landcare, where he was inspired by the commitment of a diverse range of stakeholders using science to monitor and inform improvement in land and water quality, and to enhance biodiversity. Peter is a Lieutenant with the Halls Gap CFA and a Justice of the Peace. He is a member of the Royal Australian Chemical Institute and the Australian Council for Educational Leaders and is an accredited coach with Growth Coaching International. Peter is keen for the CMA to engage effectively with all stakeholders to achieve a healthy Wimmera catchment.

**Ms Mellissa Wood**, Chairperson of the Victorian Environmental Assessment Council

Mellissa Wood was appointed VEAC Chairperson in July 2021. Ms Wood has 30 years' experience in leading and providing scientific and strategic advice on food, land and water systems, sustainable development, resource and environmental management, agency and board governance and public policy. She has held senior leadership positions with the Australian Government and internationally, including UN Food and Agriculture Organization (FAO) and CGIAR. She recently moved to Victoria after retiring as General Manager, Australian Centre for International Agricultural Research and member of CGIAR's System Council and System Management Board and as Chair of Asia Pacific Association of Agricultural Research Institutes. Ms Wood is a Visiting Scientist CSIRO, Food Systems and Global Change, Expert Evaluator for the international AGFUND, Independent Advisor, University of Queensland and a member of international and domestic steering committees. Mellissa Wood holds a Master of Public Policy (Development Policy) from Crawford School of Public Policy, Australian National University, and a Bachelor of Science (Resource and Environmental Management) from the Australian National University

**Paul Foreman**, Deputy Chair (Partnerships) Landcare Victoria Inc. North Central Region

Paul is a highly regarded and skilled ecologist and botanist and with over 30 years of experience in land management and nature conservation across a range of sectors specialising in botanical, vegetation management, strategic planning and biodiversity conservation services. Paul is also an ecologist with Biolinks Alliance – an NGO catalysing community-driven conservation and sustainable land management based on the principles of science, collaboration and innovation – and a member of the Muckleford Landcare group near Castlemaine in central Victoria.



Technical Advisory Groups

The CES has established stakeholder forums to ensure a collaborative and consultative, yet independent approach to report delivery in line with the *Science for Sustainable Development* framework. CES strives for authentic engagement with partners and stakeholders and seeks to incorporate principles of co-creation and co-design with the aim of achieving collective impact.

These forums perform an important role in building trust, enabling regular scientific debate, and deep consultation and engagement with critical stakeholders, scientists, and other contributors.

Table 6: CES Technical Advisory Group Meetings

CES Technical Advisory Groups	No. of meetings in the 2021-22 FY
Technical Advisory Group - State of the Environment 2023 Report	1

Organisational structure (FRD 22)

The following organisation structure represents the situation at the end of the financial year. Employment levels in the office decreased from 11.8 FTE to 8.8 FTE.

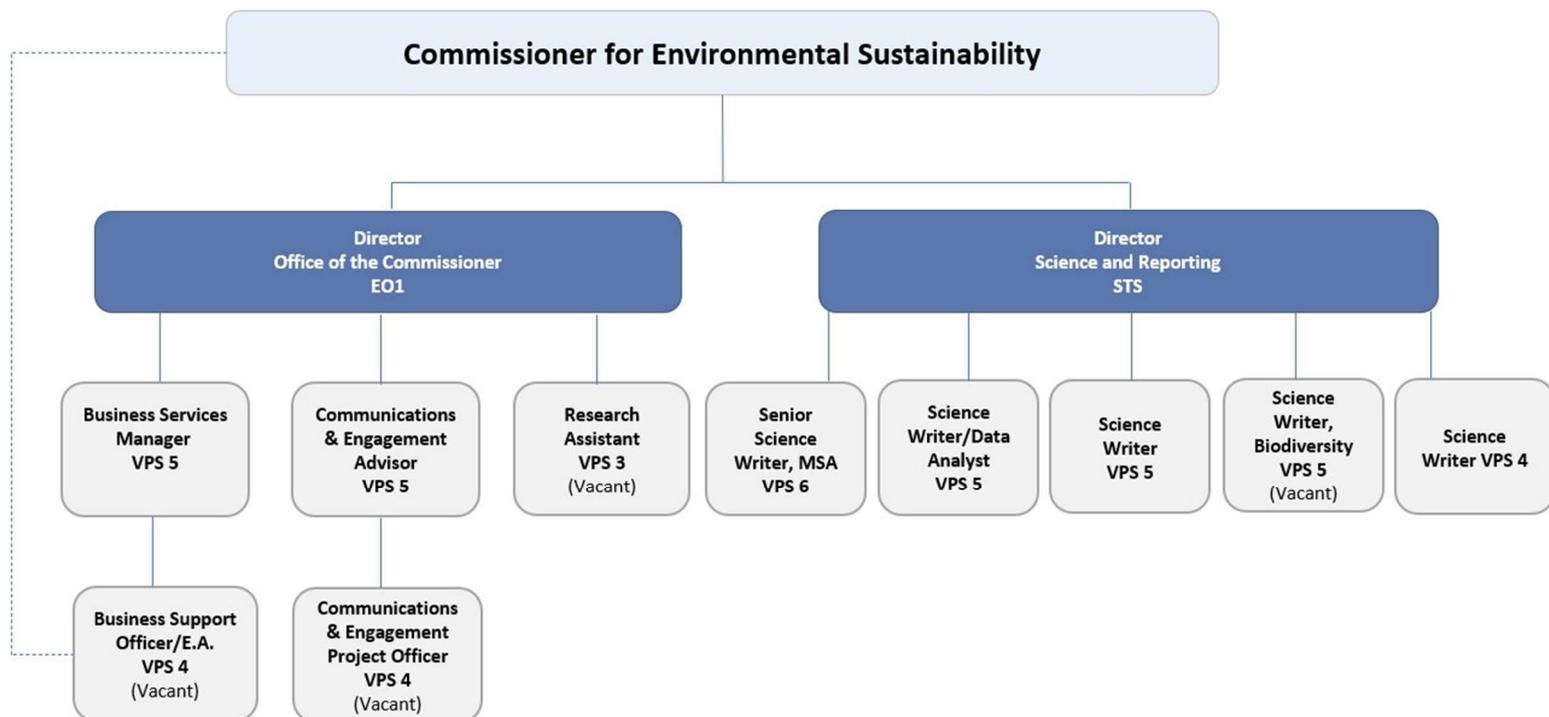


Figure. CES organisational structure as of 30 June 2022

Risk and Audit Committee membership and roles (FRD 22)

The Risk and Audit Committee (the Committee) consists of the following members:

- Peter Lewinsky, Chairman (independent member appointed October 2016)
- Linda McNeill (independent member appointed January 2021)
- Mark Peters (independent member appointed March 2015)
- Rachel Thomson (independent member appointed July 2019).

The main purpose of the Committee is to provide independent assurance to CES that the risk and control environment is operating efficiently. The Committee also has an advisory function, and its responsibilities relate to the CES, with recognition that CES applies frameworks and policies of DELWP and has an SLA with DEWLP for the provision of fundamental corporate services.

The Committee also ensures that CES is compliant with the requirements under the DELWP Portfolio Financial Management Compliance Framework (PFMCF). Meetings with the Committee must be held at least twice per financial year, with a separate meeting to consider CES' annual PFMCF attestation and financial statements.

Occupational health and safety (FRD 22)

CES is committed to ensuring that all employees, contractors, and visitors are provided with the use of facilities, equipment, education, and training to minimise and prevent workplace injury and illness. CES demonstrates its commitment to occupational health and safety (OH&S) through its OH&S Policy and associated safe system of work which aligns with DELWP's OH&S policy.

CES staff have access to a range of programs provided by DELWP. These services include training and development programs, OH&S courses, counselling services through the Employee Assistance Program and wellbeing programs. The use of a common framework for managing specific workplace hazards is a critical part of the office's strategy for managing health and safety.

No incidents were reported in the 2021-22 period, nor in the previous financial year.

During the 2021-22 year, CES continued several initiatives to improve the health and safety of staff including ergonomic assessments where required, as well as the completion of home-based work safety checklists, and the provision of other pieces of information relating to setting up appropriate and safe workplaces in the home due to the ongoing remote working situation as a result of COVID-19 government restrictions.

Impact of coronavirus (COVID-19)

During the 2021-2022 year, the Victorian government announced a mandate and imposed several lockdown restrictions on the Victorian community in response to the public health concerns from coronavirus. This has had a significant impact on the operating and economic environment for CES, and several policies and directions were introduced to assist. These included negotiating with suppliers, establishing remote working environments for employees, and moving engagement events online.

In addition, the management team have:

- continually monitored developments and liaise with DELWP to understand –
 - challenges impacting operations
 - economic, regulatory, and operational responses from government
 - impacts on the CES control environment
- modified our planned financial audit timing and approach, in response to working remotely
- maintained daily team meetings and frequent engagement and wellbeing checks with staff throughout

Incident management

Incidents arising are addressed in the first instance by CES management with assistance from staff. More complex or serious incidents are managed by DELWP under DELWP's policies and procedures as a service function described in the SLA between DELWP and CES.

Employment and conduct principles (FRD 22)

The CES team are employees of DELWP. CES is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably based on key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.

Through DELWP, CES introduced policies and practises that are consistent with the Victorian Public Service Commissioner's (VPSC) employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

Workforce data (FRD 22 & FRD 29)

CES has introduced policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. CES has advised its employees on how to avoid conflicts of interest, how to respond to offers of gifts, and how to deal with misconduct.

Comparative workforce data

The following table discloses the head count and full-time staff equivalent (FTE) of all active public service employees of CES, employed in the last full pay period in June of the current reporting period (2022), and in the last full pay period in June of the previous reporting period (2021). Employees have been correctly classified in workforce data collections.

Staffing decreased from 9.8 to 8.8 in the reporting period. This was due to holding a number of positions vacant. Note: The Senior Science Writer MSA is funded on a cost recovery basis via the MSA Trust.

The total headcount as of June 2022 was 9 staff with four positions vacant. These figures include the Commissioner.

Table 7: Details of employment levels in June 2022

Workforce data	Ongoing employees		Fixed term employees		Headcount total
	Full time	Part time	Full time	Part time	
As at June 2022					
Male	2	1	1		4
Female			5		5

Table 8: Workforce data over time (FTE)

Classification	2021- 2022	2020- 21	2019- 20	2018- 19	2017 -18	2016 -17	2015 -16
Statutory appointed Officer (Commissioner)	1	1	1	1	1	1	1
Executive Officer	1	1	1	0	0	0	0
Senior Technical Specialist	1	1	1	1	0	0	0
Administrative Staff	0	1	1	0.8	0.8	0.8	0
Senior Managers and operational staff	5.8	5.8	3.6	4.6	5.8	3	3
Total FTE	8.8	9.8	7.6	7.4	7.6	4.8	4
Male	3.8	3.8	4.6	4.6	2.8	1	1
Female	5	3	2.8	4.8	3.8	3	2

Table 9 discloses the annualised total salary for senior employees of the CES, categorised by classification. The salary amount is reported as the full-time annualised salary.

Table 9: Annualised total salary, by \$20,000 bands, for executive and other senior non-executive staff

Income band (salary)	Executive Officer	Senior Technical Specialist	VPS	Other (Statutory Officer)
< \$160,000			5.8	
\$160,000 – \$179,999				
\$180,000 – \$199,999		1		
\$200,000 – \$219,999	1			
\$220,000 – \$239,999				
\$240,000 – \$259,999				
\$260,000 – \$279,999				
\$280,000 – \$299,999				1
\$300,000 – \$319,999				
\$320,000 – \$339,999				
\$340,000 – \$359,999				
\$360,000 – \$379,999				
\$380,000 – \$399,999				
\$400,000 – \$419,999				
\$420,000 – \$439,999				
\$440,000 – \$459,999				
\$460,000 – \$479,999				
\$480,000 – \$499,999				
Total	1	1	5.8	1

Note: The salaries reported above are for the full financial year, at a 1-FTE rate, and excludes superannuation.

Workforce Inclusion Policy (FRD 22)

The CES adopts and applies the frameworks and policies of DELWP and operates under an SLA with DELWP for the provision of corporate services. CES values support for the implementation of a One-DELWP approach. Our commitment to serve Victorians is underpinned by a culture built on the values of teamwork, wellbeing and safety, ownership and service excellence.

As members of the Victorian Public Service, the CES team work by the Victorian Public Service Values and Code of Conduct, which set the expectations for how we behave as public servants. We are committed to building an inclusive workplace that utilises the full potential of all employees, embraces differences, and uses diversity of thought as a catalyst for innovation and improved service delivery.

Our approach supports:

- building a positive culture
- ensuring we have the right people with the right skills
- developing accountable, collaborative and inclusive leaders
- designing an agile and adaptable organisation
- building a productive and flexible workforce.

Executive Officer data (FRD 15)

An Executive Officer (EO) is defined as a person employed as an Executive under Part 3 of the *Public Administration Act 2004* (PA Act). For a public body, an EO is defined as an executive under Part 3 of the PA Act or a person to whom the Victorian Government's *Executive Remuneration Policy* applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

The definition of an EO does not include a statutory office holder or an Accountable Officer. The Commissioner is a statutory office holder and CES has one EO, in the role of Director, Office of the Commissioner.

The following tables disclose the EOs of CES for 30 June 2022:

- Table 10 discloses the number of EOs for CES, broken down by gender
- Table 11 provides a reconciliation of executive numbers presented between the report of operations and Note 8.4 'Executive remuneration' in the financial statements
- Tables 10 and 11 also disclose the variations, denoted by 'var', between the current and previous reporting periods.

The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the 2021-22 financial year. Note 8.4 in the financial statements lists the actual number of EOs and the total remuneration paid to EOs over the course of the reporting period. The financial statements Note 8.4 does not include the Accountable Officer, nor does it distinguish between executive levels.

Table 10: Total number of EOs for CES, broken down into gender

Class	All		Women		Men		Self-described	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
EO-1	0	0	0	0	0	0	n	n
EO-2	0	0	0	0	0	0	n	n
EO-3	1	0	0	0	1	0	n	n
Total	1	0	0	0	1	0	n	n

Table 11: Reconciliation of executive numbers

	2022	2021	2020
Executives (financial statement Note 8.4)	1	1	1
Accountable Officer (Commissioner)	1	1	1
<i>Less</i> Separations	(0)	(0)	(0)
Total executive numbers at 30 June 2022	2	2	2

Other disclosures

Local Jobs First – Victorian Industry Participation Policy (FRD 25 and Local Jobs First Act 2003)

In 2021-22, CES did not have any procurement activity meeting the criteria of \$3 million or more in metropolitan Melbourne and for state-wide projects, or \$1 million or more for procurement activities in regional Victoria.

Advertising expenditure (FRD 22)

In 2021-22, there were no CES government advertising campaigns with total media spend of \$100,000 or greater (exclusive of GST).

Consultancy expenditure (FRD 22)

Details of consultancies valued at \$10,000 or greater

In 2021-22, there were 9 consultancies where the potential total fee payable to the consultant was \$10,000 or greater - refer Table 12 below. The total expenditure incurred during 2020-21 in relation to these consultancies was \$208,812.10. Details of individual consultancies are outlined below.

Table 12: Outline of consultancies (purchase order value) of over \$10,000 in 2021-22 financial year

Consultant	Purpose	Project start date	Project end date	Total approved project fee	Expenditure 2021-22	Future expenditure 2022-23(estimate)
Emily Ross Bespoke	Strategic communications	01/07/2020	30/06/2022	\$40,000	\$14,273.60	\$14,979.40
Icon Agency	Digital partner – for the SoE 2023 reporting cycle: complete website redevelopment and design and associated services, including hosting	12/02/2021	30/11/2022	\$125,620	\$59,840	\$0.00
FrontierSI	Stocktake and capability analysis of spatial information for State of the Marine and Coastal report. Included as chapter in SMCE report.	10/03/2021	31/08/2021	\$20,000	\$20,000	\$0.00
Alex Warder	Concept, design, and artwork for communication materials	01/07/2021	30/06/2022	\$54,720	\$51,672.50	\$3,047.50
Bruce Mountain	Provision of Science Writing Services for State of the Environment (SoE) 2023 Report – Energy Chapter	27/05/2022	31/12/2022	\$48,048	\$0.00	\$48,048
Chris Smyth Consulting	Science writing services for State of the Environment Biodiversity Update 2021 Report	01/07/2021	30/06/2022	\$54,795	\$24,405	\$30,390
The Shannon Company	Social Media Communication Package for the State of the Marine and Coastal Environment 2021 Report	16/05/2022	30/08/2022	\$34,853.50	\$0.00	\$34,853.50
The Shannon Company	Awareness building strategy for the State of the Marine and Coastal Environment 2021 Report	30/03/2022	30/06/2022	\$19,800	\$19,800	\$0.00
The Red Pony	State of the Marine and Coastal Environment 2021 Report Copy Editing and proof-reading services	20/09/2021	11/10/2021	\$18,821	\$18,821	\$0.00

Note: Total approved project fee refers to total approved purchase order spend for the 2021-22 period.

Details of consultancies under \$10,000

In 2021-22 there was one consultancy engaged during the year where the total fees payable (purchase order value) to the individual consultant was less than \$10,000. The total expenditure incurred during 2021-22 in relation to these consultancies was \$3,080.00.

Information and communications technology (ICT) expenditure (FRD 22)

For the 2021-22 reporting period, CES had a total ICT expenditure of less than \$84,022 for business-as-usual operation.

Disclosure of major contracts (FRD 12)

CES did not enter any contracts greater than \$10 million in value during the reporting period.

Freedom of information (FRD 22)

The *Freedom of Information Act 1982* (FOI Act) allows the public a right of access to documents held by CES. For the 12 months ending 30 June 2022, CES received no direct applications.

Making a request:

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in section 17 of the FOI Act. In summary, the requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of CES should be addressed to:

FOI & Privacy Unit
 Department of Environment, Land, Water and Planning
 PO Box 500
 East Melbourne VIC 8002
foi.unit@delwp.vic.gov.au

An application fee of \$30.60 is applicable and additional charges may also apply once access and processing costs are assessed.

If an applicant is not satisfied with a decision, under section 49A of the FOI Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter. In order for the applicant's request for review to be valid, it must:

- be made within 28 days of receiving the refusal
- be in writing
- identify the relevant agency or Minister, and
- identify the decision the applicant would like reviewed.

Further information regarding the operation and scope of freedom of information requests can be obtained from the FOI Act, [regulations made under the FOI Act](#), and the [OVIC website](#).

Compliance with the *Building Act 1993* (FRD 221 & Building Act)

CES does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

Competitive Neutrality Policy (FRD 22)

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of services.

CES does not offer the provision of services for a fee and therefore the Victorian Government's Competition Neutrality Policy does not apply.

Compliance with the *Public Interest Disclosures Act 2012* (FRD 22 & Public Interest Disclosures Act)

The *Public Interest Disclosures Act 2012* (PID Act) enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body.

CES is a public body for the purposes of the PID Act.

What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public officer or a public body.

'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption.

'Detrimental action' is action taken against a person in reprisal for making a public interest disclosure.

How do I make a public interest disclosure?

You can make a public interest disclosure about CES or its officers or employees by contacting the Independent Broad-Based Anti-Corruption Commission (IBAC), see details below.

CES is not able to receive public interest disclosures.

CES follows DELWP's policies and procedures in relation to the protection of persons from detrimental action in reprisal for making a public interest disclosure about CES, its officers, or employees.

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address:	Level 1, North Tower, 459 Collins Street, Melbourne VIC 3001
Mail:	IBAC, GPO Box 24234, Melbourne VIC 3001
Website:	www.ibac.vic.gov.au
Phone:	1300 735 135

Compliance with other legislation

Commissioner for Environmental Sustainability Act 2003

The Commissioner's role and the strategic and operational activities of the office are established under the CES Act available online at www.ces.vic.gov.au.

The objectives of CES as defined under section 7 of the CES Act are to:

- report on matters relating to the condition of the natural environment of Victoria
- encourage decision making that facilitates ecologically sustainable development
- enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment
- encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.

The CES work program approved in the five-year business plan 2019-2024, delivers against the objectives and functions of the CES Act.

CES complies with all statutory environmental reporting outputs and has also met the request from the Minister to produce a first State of the Bays report which was issued in December 2016. The next mandated output is the SMCE report which is due in 2021.

CES is also compliant with the following relevant legislation:

Freedom of Information Act 1982
Public Interest Disclosures Act 2012
Financial Management Act 1994
Local Jobs First Act 2003
Public Administration Act 2004
Copyright Act 1968.

Office-based Environmental Impacts (FRD 24)

CES operates under an SLA with DELWP and, as such, its environmental management system data is captured within aggregated data in the DELWP Annual Report.

Additional departmental information available upon request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by CES and are available on request, subject to the provisions of the FOI Act:

- a) a statement of declarations of pecuniary interests for all relevant officers
- b) details of publications produced by the entity about itself, and how these can be obtained
- c) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- d) details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided; and expenditure committed to for each engagement.

The information is available on request from: Commissioner for Environmental Sustainability
 Email: info.ces@ces.vic.gov.au

The following financial statements comply with the Model Financial Report as applied to CES.

Portfolio Financial Management Compliance Attestation Statement

I, Dr Gillian Sparkes, on behalf of the Responsible Body, certify that the Commissioner for Environmental Sustainability has been granted an exemption from the Standing Directions 2018 under the *Financial Management Act 1994* and Instructions. The exemption has been granted by the Assistant Treasurer on the basis that the Commissioner for Environmental Sustainability complies with the Department of Environment, Land, Water and Planning's Portfolio Financial Management Compliance Framework.



Dr Gillian Sparkes AM

Commissioner for Environmental Sustainability

DATE: 11 October 2022

COMMISSIONER FOR ENVIRONMENTAL SUSTAINABILITY

FINANCIAL STATEMENTS

These annual financial statements represent the audited general purpose financial statements of the Commissioner for Environmental Sustainability (CES) for the period 1 July 2021 to 30 June 2022. The purpose of the report is to provide users with information about the CES's stewardship of resources entrusted to it.

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COMPREHENSIVE OPERATING STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Notes	2022 \$	2021 \$
Income from transactions			
Government grants	2.1	2,389,491	1,947,000
Total income from transactions		2,389,491	1,947,000
Expenses from transactions			
Employee expenses	3.1.1	(1,720,759)	(1,609,500)
Supplies and services	3.2	(352,115)	(324,210)
Depreciation and amortisation	4.1.1	(12,849)	(8,682)
Interest expense	6.2	(1,417)	(548)
Total expenses from transactions		(2,087,140)	(1,942,940)
Net result from transactions (net operating balance)		302,351	4,060
Other economic flows included in net result			
Net gain/(loss) on non-financial assets		14,444	-
Net gains/(loss) arising from revaluation of long service liability		26,297	35,520
Total other economic flows included in net result		40,741	35,520
Net result / Comprehensive result		343,092	39,580

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2022

	Notes	2022	2021
		\$	\$
Assets			
Financial assets			
Cash and deposits	6.4	250,898	-
Receivables	5.1	877,713	796,205
Total financial assets		1,128,611	796,205
Non-Financial assets			
Plant, and equipment	4.1	70,031	62,760
Total non-financial assets		70,031	62,760
Total assets		1,198,642	858,965
Liabilities			
Payables	5.2	17,764	3,444
Employee benefits provisions	3.1.2	529,679	554,763
Borrowings	6.1	70,235	62,886
Total liabilities		617,678	621,093
Net assets		580,964	237,872
Equity			
Accumulated surplus		577,538	234,446
Contributions by owners		3,426	3,426
Net worth		580,964	237,872

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Accumulated surplus/(deficit)	Contribution by owners	Total
	\$	\$	\$
Balance as at 1 July 2020	194,866	3,426	198,292
Comprehensive result	39,580	-	39,580
Balance as at 30 June 2021	234,446	3,426	237,872
Comprehensive result	343,092	-	343,092
Balance as at 30 June 2022	577,538	3,426	580,964

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Receipts			
Receipt from government		2,307,983	1,679,376
GST received from ATO ^(a)		-	2,280
Total receipts		2,307,983	1,681,656
Payments			
Payments to suppliers and employees		(2,057,341)	(1,717,078)
Interest paid		(1,417)	(548)
Total payments		(2,058,758)	(1,717,626)
Net cash flows from/(used in) operating activities	6.4.1(b)	249,225	(35,970)
Cash flows from investing activities			
Sale of non-financial assets		36,136	-
Net cash flows from/(used in) investing activities		36,136	-
Cash flows from financing activities			
Repayment of principal portion of lease liabilities ^(b)		(34,463)	(8,713)
Net cash flows from/(used in) financing activities		(34,463)	(8,713)
Net decrease in cash and cash equivalents		250,898	(44,683)
Cash and cash equivalents at the beginning of the financial year		-	44,683
Cash and cash equivalents at the end of the financial year	6.4.1(a)	250,898	-

The accompanying notes form part of these financial statements.

Note:

- a) GST received or paid from the Australian Taxation Office is presented on a net basis.
- b) CES has recognised cash payments for the principal portion of lease payments as financing activities, cash payments for the interest portion as operating activities consistent with the presentation of interest payments as operating activities.

1. ABOUT THIS REPORT

The Commissioner of Environmental Sustainability is a statutory office and government agency of the State of Victoria, established pursuant to an order made by the Premier under the *Commissioner for Environmental Sustainability Act 2003*.

Its address is: The Commissioner for Environmental Sustainability

Level 36, 2 Lonsdale Street

Melbourne, VIC, 3000

A description of the nature of its operations and its principal activities is included in the 'Report of operations', which does not form part of these financial statements.

Basis of preparation

These financial statements:

- cover the statutory office of the Commissioner of Environmental Sustainability as an individual reporting entity
- are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis
- have been prepared by applying the accrual basis of accounting, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are contributions to or distributions by owners have also been designated as contributions by owners.

Judgements, estimates, and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period the estimate is revised and in future periods affected by the revision. Judgements and assumptions have been made by management in applying applicable Australian Accounting Standards (AAS) that have a significant effect on the financial statements and estimates. These relate to:

- determining whether the performance obligations are sufficiently specific to determine whether the arrangement is within the scope of AASB 15 or AASB 1058; refer note 2.1.
- for leases, determining whether the arrangement is in substance a short-term arrangement; refer note 6.3
- the fair value of plant, and equipment; refer note 4.1 and 7.4
- the estimated useful lives over which non-financial assets are depreciated; refer note 4.1.1
- superannuation expense; refer note 3.1.3
- future salary movements and future discount rates. Refer 3.1.2

Compliance information

These general-purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Coronavirus (COVID-19) pandemic and the impact on the financial statement

In 2020, 2021 and 2022, restrictions and other measures were put in place by the Victorian government to slow the spread of COVID-19. The Commissioner for Environmental Sustainability (CES) continued to be well placed to work remotely, and as such the closure of our offices had minimal effect on activities. The financial impact has also been minimal as the CES's funding is predominantly through grants and management does not currently consider COVID-19 to have a material effect on any judgements or assumptions applied in the preparation of these financial statements.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction	Structure
<p>The Commissioner's role is to:</p> <ul style="list-style-type: none"> • report on the condition of Victoria's natural environment. • encourage decision making that facilitates ecologically sustainable development. • enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment. • encourage Victorian and local governments to adopt sound environmental practices and procedures. <p>Income from transactions is the primary method the CES generates funds. To enable the CES to fulfill its objective and provide outputs, it receives income from grants provided by the Department of Environmental, Land, Water and Planning (DELWP).</p> <p><i>Significant judgement: Government grants</i></p> <p>The CES has made a judgement on the recognition of grant revenue as income of not-for-profit entities where they do not contain sufficiently specific performance obligations.</p>	<p>2.1 Summary of income that funds the delivery of services</p>

2.1 Summary of income that funds the delivery of services:

	2022	2021
	\$	\$
Government grants		
Municipal and industrial waste levy	1,947,000	1,947,000
Melbourne strategic assessment conservation outcomes (DELWP)	382,491	-
Regional forestry agreement major event review (DELWP)	60,000	-
Total government grants	2,389,491	1,947,000
Total income from transactions	2,389,491	1,947,000

The CES has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058 *Income of Not-for-Profit Entities*. As the CES does not receive any revenue that are enforceable and with sufficiently specific performance obligations, AASB 15 *Revenue from contracts with customers* does not apply.

Grants from DELWP are generally without any sufficiently specific performance obligations and are recognised as income when the CES has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, the CES has recorded any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards.

3. THE COST OF DELIVERING SERVICES

Introduction	Structure
This note provides an account of the expenses incurred by the CES. In note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.	<ul style="list-style-type: none"> 3.1 Employee expenses <ul style="list-style-type: none"> 3.1.1 Employee expenses in the comprehensive operating statement 3.1.2 Employee benefits in the balance sheet 3.1.3 Superannuation contributions 3.2 Supplies and services

3.1 Employee expenses

3.1.1 Employee expenses in the comprehensive operating statement

	2022	2021
	\$	\$
Employee expenses		
Salaries and wages	(1,289,338)	(1,215,974)
Defined contribution superannuation expense	(144,369)	(118,478)
Annual and long service leave	(215,919)	(211,908)
Other on-costs (fringe benefits tax, payroll tax and Workcover levy)	(71,133)	(63,140)
Total employee expenses	(1,720,759)	(1,609,500)

Employee expenses include all costs relating to employment including salaries and wages, fringe benefits tax, leave entitlements, termination payments and Workcover premiums.

3.1.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2022	2021
	\$	\$
Current provisions		
Employee benefits⁽ⁱ⁾ - annual leave		
Unconditional and expected to be wholly settled within 12 months	147,697	175,411
Unconditional and expected to be wholly settled after 12 months ⁽ⁱⁱ⁾	27,100	3,860
Employee benefits^{(i)/(iii)} - long service leave		
Unconditional and expected to be wholly settled within 12 months	23,828	30,397
Unconditional and expected to be wholly settled after 12 months ⁽ⁱⁱ⁾	215,554	238,053
Provisions for on-costs⁽ⁱⁱⁱ⁾		
Unconditional and expected to be wholly settled within 12 months	27,698	32,178
Unconditional and expected to be wholly after 12 months ⁽ⁱⁱ⁾	40,466	38,986
Total current provisions for employee benefits	482,343	518,885
Non-current provisions		
Employee benefits ^{(i) (ii) (iii)}	40,543	30,896
Provisions for on-costs ^{(ii) (iii)}	6,793	4,982

Total non-current provisions for employee benefits	47,336	35,878
Total provisions for employee benefits	529,679	554,763

- (i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
(ii) The amounts disclosed are discounted to present values.
(iii) CES has adopted the assumptions from the Department of Treasury and Finance 2008 Long Service Leave Model to split Long Service Leave provision between "settle within 12 months" and "settle after 12 months" for the current financial year.

Reconciliation of movement in on-cost provisions

	2022
	\$
Opening balance	76,146
Additional provisions recognised	13,682
Reductions arising from payments/other sacrifices of future economic benefits	(18,787)
Unwind of discount and effect of changes in the discount rate	3,916
Closing balance	74,957
Current	68,164
Non-current	6,793
Total	74,957

Salaries and wages, annual leave, and sick leave

Liabilities for salaries and wages (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provisions as current liabilities, because the CES does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the CES expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the CES does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the comprehensive operating statement as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed as a current liability; even where the CES does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the CES expects to wholly settle within 12 months; or
- present value – if the CES does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

3.1.3 Superannuation contributions

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the CES are as follows:

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2022	2021	2022	2021
	\$	\$	\$	\$
Defined contribution plans:				
Victorian Superannuation Fund – Vic Super Scheme	54,486	51,035	1,018	-
Various other	86,498	67,443	2,367	-
Total	140,984	118,478	3,385	-

Superannuation contributions paid or payable for the reporting period are included as part of employee expenses in the comprehensive operating statement of the CES.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period. The CES does not contribute to a defined benefits plan.

3.2 Supplies and services

	2022	2021
	\$	\$
Supplies and services		
Community awareness and publicity	(23,380)	(9,770)
Contract and professional services	(161,948)	(141,885)
General expenses	(52,316)	(66,156)
IT expenses	(84,022)	(81,382)
Motor vehicle expenses	(8,616)	(3,867)
Office and accommodation expenses	(8,032)	(7,064)
Payments for shared services	(2,657)	(4,668)
Postage and telephone	(8,212)	(7,449)
Travel and subsistence	(2,932)	(1,969)
Total supplies and services	(352,115)	(324,210)

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

4 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction	Structure
The CES controls assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the CES to be utilised for delivery of those outputs.	4.1 Plant and equipment 4.1.1 Depreciation and amortisation 4.1.2 Reconciliation of movements in carrying amounts of plant and equipment

4.1 Plant and equipment

	2022	2021
	\$	\$
Plant and equipment		
Right of use motor vehicles at fair value	81,854	83,427
Accumulated depreciation motor vehicles	(11,823)	(20,667)
Total right of use motor vehicles (net carrying amount)	70,031	62,760
Total property, plant and equipment	70,031	62,760

Initial recognition: Plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

Subsequent measurement: Plant and equipment as well as right of use assets under leases are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset). In addition, for right of use assets the net present value of the remaining lease payments is often the appropriate proxy for fair value of relevant right of use assets. Refer to note 7.4 for the determination of fair value.

Right of use asset acquired by lessees – initial measurement: The CES recognises a right of use assets and the corresponding lease liability at the lease commencement date. The right of use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date
- any initial direct costs incurred
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less
- any lease incentive received

Right of use asset – subsequent measurement: The CES depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful life of the right of use assets are determined on the same basis as plant and equipment. The right of use assets are also subject to revaluation as required by FRD 103.

In addition, the right of use assets is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Impairment of plant, and equipment: The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

4.1.1 Depreciation and amortisation

	2022	2021
	\$	\$
Depreciation		
Right of use - motor vehicles	(12,849)	(8,682)
Total depreciation	(12,849)	(8,682)

All motor vehicles and plant and equipment that have finite useful lives are depreciated.

Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. The following estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life
Right of use - motor vehicles	Term of lease (1 to 3 years)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the CES obtains ownership of the underlying leased asset or if the cost of the right of use asset reflects that the entity will exercise a purchase option, the entity depreciates the right of use asset over its useful life.

4.1.2 Reconciliation of movements in carrying amounts of plant and equipment

	2022	2021
	\$	\$
Movements in carrying amounts		
Opening balance	62,760	31,402
Additions	41,813	40,040
Disposals	(21,693)	-
Depreciation expense (refer to note 4.1.1)	(12,849)	(8,682)
Closing balance	70,031	62,760

The CES capitalises expenditures on individual items of \$5,000 (2021: \$5,000) or more and records these as non-financial assets.

5 OTHER ASSETS AND LIABILITIES

Introduction	Structure
This note sets out those assets and liabilities that arose from the CES's operations.	5.1 Receivables 5.2 Payables 5.2.1 Maturity analysis of contractual payables

5.1 Receivables

	2022	2021
	\$	\$
Current receivables		
Statutory		
Amounts owing from Department of Environment, Land, Water and Planning	877,713	796,205
Total statutory receivables	877,713	796,205
Total current receivables	877,713	796,205
Total receivables	877,713	796,205

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. The CES applies AASB 9 for initial measurement of the statutory receivables. As a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Refer to note 7.2.1 for credit risk and impairment of statutory receivables.

5.2 Payables

	2022	2021
	\$	\$
Current payables		
Contractual		
Accrued expenses	17,764	3,444
Total contractual payables	17,764	3,444
Total current payables	17,764	3,444
Total payables	17,764	3,444

Contractual payables are classified as financial instruments and measured at amortised cost. This includes trade creditors and other accrued expenses. Trade creditors represents liabilities for goods and services provided to the CES prior to the end of the financial year that are unpaid and arise when the CES becomes obliged to make future payments in respect of the purchase of those goods and services.

5.2.1 Maturity analysis of contractual payables

The following table discloses the contractual maturity analysis for the entity's contractual payables.

	Carrying Amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2022							
Payables (i)							
Accrued expenses	17,764	17,764	17,764	-	-	-	-
Total	17,764	17,764	17,764	-	-	-	-
2021							
Payables (i)							
Accrued expenses	3,444	3,444	3,444	-	-	-	-
Total	3,444	3,444	3,444	-	-	-	-

(i) The value of payables disclosed exclude statutory payables (i.e. taxes payable).

6 HOW WE FINANCED OUR OPERATIONS

Introduction	Structure
This note provides information on the sources of finance utilised by the CES during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities.	6.1 Borrowings
	6.1.1 Maturity analysis of borrowings
	6.2 Interest expense
	6.3 Lease liabilities
	6.4 Cash flow information and balances
	6.5 Commitments for expenditure
This note also includes disclosures of balances that are financial instruments (such as borrowings and cash balances).	

6.1 Borrowings

	2022 \$	2021 \$
Current borrowings		
Lease liabilities (a)	11,838	31,826
Total current borrowings	11,838	31,826
Non-current borrowings		
Lease liabilities	58,397	31,060
Total non-current borrowings	58,397	31,060
Total borrowings	70,235	62,886

Notes:

(a) Secured by the assets leased. Leases liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Borrowings refer to interest bearing liabilities which are lease liabilities that relate to motor vehicles leased through Vic Fleet facility.

Borrowings are classified as financial instruments. The CES determines the classification of its interest-bearing liabilities at initial recognition.

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The CES recognises interest bearing liability costs immediately as an expense, even where they are directly attributable to the acquisition, construction, or production of a qualifying asset.

During the current and prior year, there were no defaults and breaches of any of the loans.

6.1.1 Maturity analysis of borrowings

The following table discloses the contractual maturity analysis for the entity's contractual interest-bearing liabilities.

	Carrying Amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2022							
Borrowings							
Lease liabilities	70,235	72,190	1,077	2,155	9,697	59,261	-
Total	70,235	72,190	1,077	2,155	9,697	59,261	-
2021							
Borrowings							
Lease liabilities	62,886	62,886	1,321	2,642	27,863	31,060	-
Total	62,886	62,886	1,321	2,642	27,863	31,060	-

6.2 Interest expense

	2022 \$	2021 \$
Interest expense		
Interest on leases	(1,417)	(548)
Total interest expense	(1,417)	(548)

Interest expense is costs incurred in connection with leasing arrangements. Interest expense is recognised in the period in which it is incurred

6.3 Lease liabilities

Information about leases for which the CES is a lessee is presented below.

The CES leasing activities

The CES leases motor vehicles through the Vic Fleet lease facility. The lease term is the period over which the vehicle is to be leased. Generally, vehicles must be retained for three years or 60,000 kms, whichever occurs first. On disposal of the vehicle any profit or loss on sale is borne by the CES.

At 30 June 2022, there were no short-term lease payments.

6.3.1 Right of use assets

Right of use assets are presented in Note 4.1.

6.3.2 Amounts recognised in the comprehensive operating statement

The following amounts are recognised in the comprehensive operating statement relating to leases:

	2022 \$	2021 \$
Interest expense on lease liabilities	(1,417)	(548)
Total amount recognised in the comprehensive operating statement	(1,417)	(548)

6.3.3 Amounts recognised in the cashflow statement

The following amounts are recognised in the cashflow statement relating to leases:

	2022	2021
	\$	\$
Sale of non-financial assets	36,136	-
Repayment of principal portion of lease liabilities	(34,463)	(8,713)
Total amount recognised in the cashflow statement	1,673	(8,713)

For any new contracts entered into the CES considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the CES assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the CES and for which the supplier does not have substantive substitution rights;
- the CES has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the CES has the right to direct the use of the identified asset throughout the period of use.
- the CES has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right of use asset amount.

Recognition and measurement of leases as a lessee

Lease Liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the CES's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

Short-term leases and leases of low value assets

The CES has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of right of use assets and lease liabilities

The CES presents right of use assets as 'plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

6.4 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

6.4.1 Reconciliation of net result for the period to cash flow from operating activities

	2022	2021
	\$	\$
(a) Reconciliation of cash and cash equivalents		
Funds held in trust – cash	250,898	-
Total cash and deposits disclosed in the balance sheet	250,898	-
Balance per cash flow statement	250,898	-
(b) Reconciliation of net result for the period to cashflow from operating activities		
Net result	343,092	39,580
Non-cash movements		
Depreciation and amortisation	12,849	8,682
Net (gain)/loss on non-financial assets	(14,444)	-
Movements in assets and liabilities		
(Increase)/decrease in receivables	(81,508)	(265,344)
Increase/(decrease) in payables	14,320	(29,702)
Increase/(decrease) in provisions	(25,084)	210,814
Net cash flows from operating activities	249,225	(35,970)

6.5 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts.

These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

In 2021-22, there were no commitment for expenditure (2021: 1 Commitment with Icon Agency for \$54,400).

7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The CES is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This note sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied.

Structure

- 7.1 Financial instrument specific disclosures
- 7.2 Financial risk management objective and policies
- 7.3 Contingent assets and liabilities
- 7.4 Fair value determination

7.1 Financial instrument specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the CES's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines, and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Categories of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met, and the assets are not designated as fair value through net result:

- the assets are held by the CES to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The CES recognises the following assets in this category:

- cash and deposits, and
- receivables (excluding statutory receivables)

Categories of financial liabilities

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. The CES recognises the following liabilities in this category:

- payables (excluding statutory payables)
- borrowings (including lease liabilities).

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the CES retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement
- the CES has transferred its rights to receive cash flows from the asset and either:
 - (1) has transferred substantially all the risks and rewards of the asset
 - (2) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the CES has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the CES's continuing involvement in the asset.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Reclassification of financial instruments: Subsequent to initial recognition, reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the CES' business model for managing its financial assets has changed such that its previous model would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

7.1.1 Financial Instruments: categorisation

	2022			2021		
	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
	\$	\$	\$	\$	\$	\$
Contractual financial assets						
Cash and deposits	250,898	-	250,898	-	-	-
Total contractual financial assets	250,898	-	250,898	-	-	-
Contractual financial liabilities						
Payables⁽ⁱ⁾						
Accrued expenses	-	17,764	17,764	-	3,444	3,444
Borrowings						
Lease liabilities	-	70,235	70,235	-	62,886	62,886
Total contractual financial liabilities	-	87,999	87,999	-	66,330	66,330

(i) The amount of payables disclosed exclude statutory payables (i.e., taxes payable).

7.2 Financial risk management objective and policies

The CES financial risk management program seeks to manage risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage the entity's financial risks within the government policy parameters.

The CES is exposed to the following risks:

- Credit risk
- Liquidity risk.
- Market risk

7.2.1 Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The CES's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the entity. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the CES's contractual financial assets is minimal because the main debtor is the Victorian Government.

Impairment of financial assets under AASB 9

At 30 June 2022, CES did not have trade receivables past due (2021: Nil). On this basis, CES determined no allowance for expected credit loss was required at the end of the financial year (2021: Nil).

Statutory receivables at amortised cost

The CES' non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The statutory receivables are considered to have low credit risk, considering the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months of expected losses. No loss allowance has been recognised.

7.2.2 Liquidity risk

Liquidity risk is the risk that the CES would be unable to meet its financial obligations as they fall due. The CES operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The CES's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

7.2.3 Market risk

The CES's exposure to market risk is primarily through interest rate risk, with insignificant exposure to foreign currency and other price risks.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The CES does not hold any interest-bearing financial instruments that are measured at fair value and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The CES has minimal exposure to cash flow interest rate risk through its term deposits.

The carrying amount of financial assets and financial liabilities that are exposed to interest rate risk are set out in the table below.

Interest rate exposure of financial instruments

	Weighted average interest rate	Carrying amount \$	Interest rate exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
2022					
Contractual financial assets					
Cash and deposits	0.00% ⁽ⁱⁱ⁾	250,898	-	-	250,898
Total		250,898	-	-	250,898
Contractual financial liabilities					
Payables: ⁽ⁱ⁾					
Payables		17,764	-	-	17,764
Borrowings	1.75%	70,235	70,235	-	-
Total		87,999	70,235	-	17,764
2021					
Contractual financial assets					
Cash and deposits	0.00% ⁽ⁱⁱ⁾	-	-	-	-
Total		-	-	-	-
Contractual financial liabilities					
Payables: ⁽ⁱ⁾					
Payables		3,444	-	-	3,444
Borrowings	2.19%	62,886	62,886	-	-
Total		66,330	62,886	-	3,444

(i) The amount of payables disclosed excludes statutory payables (i.e. taxes payable).

(ii) Weighted average is nil as the cash held in trust operates within the Department of Environment, Land, Water and Planning project trust account under s19 (2) of the *Financial Management Act 1994* as a specific purpose operating account.

The CES's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. Based on this historical data, the CES has no sensitivity to movements in market interest rates, as there are no financial instruments exposed to variable interest rates.

7.3 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

In 2021-22 there are no contingent assets or contingent liabilities (2021: Nil).

7.4 Fair value determination

Fair value determination of financial assets and liabilities: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- plant and equipment

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

Fair value hierarchy

In determining fair values, several inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The CES determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The CES currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2022-23 reporting period. These financial instruments include cash and deposits, receivables, and payables.

7.4.1 Fair value determination: non-financial physical assets**Fair value measurement hierarchy**

	Carrying amount as at 30 June 2022	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
	\$	\$	\$	\$
Plant and equipment at fair value				
Right of use asset - motor vehicles	70,031	-	70,031	-
Total	70,031	-	70,031	-

	Carrying amount as at 30 June 2021	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
	\$	\$	\$	\$
Plant and equipment at fair value				
Right of use asset - motor vehicles	62,760	-	62,760	-
Total	62,760	-	62,760	-

(i) Classified in accordance with the fair value hierarchy.

There have been no transfers between levels during the period.

Vehicles are valued using the current replacement cost method. The CES acquires new vehicles and at times disposes of them before the end of their economic life. Right-of-use assets are revalued according to FRD 103 *Non-financial physical assets*. The CES applies the revaluation model to right-of-use assets. After initial recognition the right-of-use-asset is carried at its revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

The fair value of right of use assets are linked to the lease payments. For right of use assets, the net present value of the remaining lease payments is often the appropriate proxy for fair value of relevant right of use assets

8 OTHER DISCLOSURES

<p>Introduction</p> <p>This note includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.</p>	<p>Structure</p> <p>8.1 Ex-gratia expenses</p> <p>8.2 Audit fees</p> <p>8.3 Responsible persons</p> <p>8.4 Executive remuneration</p> <p>8.5 Related party disclosure</p> <p>8.6 Economic dependency</p> <p>8.7 Subsequent events</p> <p>8.8 Australian accounting standards issued that are not yet effective</p> <p>8.9 Glossary</p>
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8.1 Ex-gratia expenses

Ex gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g., a write-off) that is not made either to acquire goods, services, or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the entity.

The CES made no ex-gratia payments in 2021-22 or 2020-21.

8.2 Audit fees

	2022	2021
	\$	\$
Victorian Auditor General's Office		
Audit of the financial statements ⁽ⁱ⁾	22,000	15,000
Total	22,000	15,000

(i) Audit fees expense for the year is included in contract and professional services in note 3.2 supplies and services.
The Victorian Auditor-General's Office is prohibited from providing non-audit services.

8.3 Responsible persons

The following table lists persons who held the positions of ministers and accountable officers of the CES:

Minister for Environment and Climate Change	The Hon. Lily D'Ambrosio MP	1 July 2021 to 27 June 2022
Minister for Environment and Climate Action	The Hon. Lily D'Ambrosio MP	27 Jun 2022 to 30 June 2022
Commissioner for Environmental Sustainability	Dr Gillian Sparkes	1 July 2021 to 30 June 2022

The person who held the position of Accountable Officer of the CES was Gillian Sparkes.

Remuneration received or receivable by the Accountable Officer in connection with the management of the CES during the reporting period was in the range: \$290,000 – \$299,999 (2021: \$290,000 – \$299,999).

8.4 Executive remuneration

The number of executive officers, other than Ministers and accountable officers, and their total remuneration during the reporting period are shown in the table.

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave, or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

	2022	2021
	\$	\$
Remuneration of executive officers		
Short-term employee benefits	186,395	181,616
Post-employment benefits	18,639	17,200
Other long-term benefits	4,949	4,794
Total remuneration of executive officers	209,983	203,610
Total number of executives	1	1
Total annualised employee equivalent (AEE)⁽ⁱ⁾	1	1

Note

- (i) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.5 Related party disclosure

The CES is a wholly owned and controlled entity of the State of Victoria. Related parties of the CES include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures, and entities they have significant influence over)
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of the CES are listed in note 8.3.

The remuneration breakdown of the CES's key management personnel is shown in the table below:

	2022	2021
	\$	\$
Compensation of key management personnel		
Short term benefits	268,807	263,255
Post-employment benefits	23,470	26,390
Other long-term benefits	7,028	7,052

Total	299,305	296,697
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The compensation detailed above excludes the salaries and benefits the Portfolio Minister receives. The Ministers' remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*. From this financial year, the disclosure will no longer be included in the Department of Parliamentary Services' financial report, and will be reported within the State's Annual Financial Report.

Significant transactions with government related entities

The CES receives operating funding received from the Department of Environment, Land, Water and Planning (see Note 2.1 Government grants). Refer to note 5.1 Receivables for amounts due from the Department of Environment, Land, Water and Planning for the year ending 30 June 2022.

All related party transactions have been entered on an arm's length basis.

8.6 Economic dependency

The CES is dependent on the Department of Environment, Land, Water and Planning (DELWP) via the Municipal and Industrial Waste Levy for most of its income for funding its operations. At the date of this report, the CES has no reason to believe this support will not continue.

8.7 Subsequent events

The CES is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2022 and the date of final approval of this general-purpose financial report that qualifies for inclusion as a post balance date event.

8.8 Australian accounting standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2021-22 reporting period. These accounting standards have not been applied to these financial statements. The CES is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* to defer the application by one year to periods beginning on or after 1 January 2023. The CES will not early adopt the Standard.

The CES is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

8.9 Glossary

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains, and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Transactions are those economic flows that are considered to arise because of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g., assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Accountable officer's declaration and statutory certification

The attached financial statements for the Commissioner for Environmental Sustainability have been prepared in accordance with Standing Direction 5.2 of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and financial position of the entity as at 30 June 2022.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 27/10/22



Dr Gillian Sparkes AM

Commissioner for Environmental Sustainability

Melbourne

27 October 2022



Sam Claringbold

Chief Financial Officer

Melbourne

25 October 2022

INDEPENDENT AUDITOR'S REPORT: VAGO



Independent Auditor's Report

To the Commissioner for Environmental Sustainability

Opinion	<p>I have audited the financial report of the Commissioner for Environmental Sustainability (the statutory office) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2022 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • accountable officer's declaration and statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the statutory office as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the statutory office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioner's responsibilities for the financial report	<p>The Commissioner of the statutory office is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the statutory office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due **to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable** assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the statutory office's **Internal control**
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner
- conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the statutory office's **ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the** statutory office to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
3 November 2022



Paul Martin
as delegate for the Auditor-General of Victoria

DISCLOSURE INDEX

The annual report of the Department is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

<i>Legislation</i>	<i>Requirement</i>	<i>Page reference</i>
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<i>Report of operations</i>		
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Other disclosures as required by FRDs in notes to the financial statements ^(a)		
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Note:

(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

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